



The U.S. News-Letter

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Dear Subscriber:

Now it's small business' turn to tell it to the Carter Administration.

An afternoon-long meeting is set for next Tuesday at the White House -- an opportunity for SB advocates to speak their minds on what bothers them.

It will be a "gut" issues conference -- the view of a White House aide. That's to say it's not simply a briefing for the crew now running the show, but a give-and-take aimed at solving problems that bedevil smaller firms.

Example: Occupational safety and health rules -- high up on the list.

Also on the agenda: small business worries about post-recession growth, a fair share of markets and profits, a better break for women and minorities.

The meeting kicks off an effort to make good on Carter's campaign vow to turn up the volume of small business' voice in federal policy decisions. COSIBA (Council of Small and Independent Business Associations) will speak for smalls, joined by two women's associations and one representing blacks.

Seated across the table will be Carter, Management-Budget Chief Lance, Treasury and Commerce reps, the new directors of SBA and OSHA, among others.

A note of caution: Don't expect immediate action on specific issues -- such things as direct technology assistance, relief from import penetration. This will be a "framework" confab, meaning the Administration isn't ready to tackle thorny problems where small business and other interests collide.

Product liability is just such an issue -- now bubbling to the surface, but Government remedies, when they come, may be too late for some companies.

Small manufacturers are caught between insurance firms on one side, consumers on the other. Like no-fault auto, medical malpractice before it, product liability could become a major insurance crisis, so be forewarned.

The figures? Frightening: 50,000 or so suits filed only 10 years ago, an estimated 2 million in 1980 -- awards multiplying tenfold over that time.

As for premiums, the Senate has gotten word of hair-raising examples -- a bicycle manufacturer's bill went from \$40,000 to \$177,000 in three years, a chemical concern shucked coverage when its \$750 policy soared to \$16,000.

Why the crisis? Awareness by consumers that damages can be collected for faulty products, say manufacturers. Nader et al blame unsafe products. Insurance rate-making procedures, lawyers' contingency fees also are cited.

Congress will pass a stopgap measure -- called a reinsurance program -- enabling the Small Business Administration to subsidize low-rate policies.

For the longer term, manufacturers suggest a shift of responsibility -- to employers who buy their equipment, for example. And insurance companies would revise the tort laws, e.g. a statute of limitations for filing suits.

But Congress is a long way from a lasting answer on product liability.

As for Carter? He is about to hear a cry for help -- loud and clear.

Turn to labor: While union lobbyists are reeling from the surprise KO of site picketing in the House, don't write them off. The vote may even help by uniting their forces. They got caught napping, but they still have clout.

Carter owes labor a debt, so do many members. The House, Senate alike are heavily Democratic, so at least some of the AFL-CIO package will make it. Here's the list -- with our size-up -- of what to expect this year:

Minimum-wage hike? Its chances are dimming, at least for this year. A plan to peg increased minimums to factory wages is diving in popularity.

Repeal of right-to-work laws -- not this year either. No strong push for it is expected, but AFL-CIO forces may use the 14-b issue as a "decoy."

Overhaul of NLRB regulations -- expect it to pass. It's the big item on labor's list, to change the way the National Labor Relations Board works.

It would simplify unionizing a company -- sign up 55% of the workers, and that does it. No more petitions and secret ballots to OK representation.

Some other provisions of H.R. 77 (remember that number): triple damages to workers fired for union activity, no federal contracts for NLRB violators.

Here's a business view of labor's clout from a U.S. Chamber source:

Site picketing? He thought it would be close but figured it to pass. It sank under lobby pressure and second thoughts of Democratic Congressmen.

Now he looks for the unions to regroup and go flat out on other bills.

Minimum wage is a watershed issue for labor, as business appraises it. How come? Next year is the 40th anniversary of the first minimum wage law. It was 25¢ in 1938 -- the goal is to mark the birthday by reaching \$3.00.

More regulatory jolts will follow in the wake of the saccharin furor.

Our Joan Szabo has been doing some exploring in the federal maze -- finds:

The saccharin ban may be extended to prescription drugs that use it.

The flame-retardant called TRIS may be outlawed in kids' sleepwear.

About saccharin: Drugmakers fear the proposed FDA curb will spread to their use of it as a sweetener in a wide range of prescription medicines. For example, antibiotics for children, cardiovascular drugs -- the agency might rule that future supplies could not contain saccharin for sweetening. Food and Drug will only say that it is "considering" extension of the ban.

Or -- voluntary pressure might be used, the FDA nudging manufacturers to stop using saccharin voluntarily, as happened in the case of cyclamates.

About TRIS: A key ruling will issue from another agency by April 7.

The suspicion about the retardant is that it may be a cancer-causing agent. We think the Consumer Product Safety Commission will bar future use of TRIS, and possibly recall up to 20 million TRIS garments now in retailers' hands.

The war on inflation: It's being waged with a key line-officer absent -- a director for the Council on Wage and Price Stability is yet to be named.

That is a high-visibility post -- to date Carter has tried but failed to fill it with two men who held it under the GOP, John Dunlop and Al Rees.

The leading candidate: John Coleman, ex-president of Haverford College, who once took a sabbatical to work as a ditchdigger, garbageman and cook.

Meanwhile, all quiet at the Council. You can hear spring birds singing.

A note on higher food prices: Is lack of competition a major cause?

Data obtained by the Joint Economic Committee shows supermarket prices are way up in areas where a few chains dominate -- up to 14% higher in some. The big outfits will protest, although the data came from their own files.

Early alert: New indictments against major corporations are coming.
That's the word we hear in top legal circles here -- grim, tense whispering.
Multinational companies are in for a battering from a U.S. grand jury
that has been digging into political payments to foreign firms, governments.
The speculation: Charges will be lodged against defense bigs, others.
Jury proceedings are secret -- still, look for some hot news to pop soon.

More on that steamy "privacy" issue, so vital to employers, employees:
You may lose your right to demand arrest records when you interview
a potential employe -- it's something the Privacy Commission will recommend.
And if you turn a person away because of his police record, his crime
must bear directly on work he'd do. Example: Banks could nix embezzlers.
You might lose the opportunity to see military records before hiring --
often employers have asked for detailed files as a condition of employment.
The Commission wants to put some curbs on this. It feels the service files
hold much information that employers have neither a right nor a need to see.
Forecast: Congress will order the military not to divulge so much.

About the war on federal paperwork: Don't plan a victory party yet --
people who know this subject tell us that the prospects are not very rosy.
Here's a briefing: Carter is sincere about wanting to ease the burden
of Government forms, and he will keep hammering at that through his OMB --
Office of Management and Budget -- but he is not likely to accomplish much.
And why not? Because agencies resist, use dissimilar forms, breathe paper.
At press time we heard the Chamber was pleading with Carter to cut red-tape.
Big offenders include the Pentagon, executive agencies, and Congress.
Congress continues to generate laws, regulations that add to the avalanche.
Defeating other waste in Government is equally hard, judging by facts.
The President has tried to trim the expensive perquisites of Cabinet aides.
However, at least one -- Health, Education Secretary Califano -- has used
an official "limo" to ride two blocks, has his own bodyguard, office cook.

About mergers: They were expected to grow, but didn't, despite a law
that went into effect on Feb. 27th requiring 30-day notice on the big ones,
those involving firms whose combined sales and assets exceed \$110 million.
Some people foresaw a rush to beat the deadline. But it didn't come.
And merger activity itself is rather static, according to the analysts.
The busiest year recently was 1969. More than 6,000 corporate weddings then.
Since 1969, the pace has slackened -- fewer than 2,500 mergers last year.

Some reading suggestions, topics of personal and business interest:
"Guidelines for Foreign Convention Tax Deductions" -- a best-seller
from American Soc. of Assn. Executives, 1101 16th St., N.W., D.C. 20036.
Tells what you can deduct abroad, what you can't -- \$1, fits a suit pocket.
"Smoke Detectors -- What They Are and How They Work" -- free pamphlet
on a device that has been selling like hotcakes. To get a copy, just write
to "Detectors" c/o the Consumer Information Center in Pueblo, Colo. 81009.
"Waste Heat Management Guidebook" -- hints for those in manufacturing
who want to turn heat loss into profit gain. A book of just over 200 pages
that you can get for \$2.75 from GPO, D.C. 20402 -- Code #003-003-01669-1.
By the way -- on booklets, other items we mention, a word on "SSAE":
That's direct-mail code talk for "send stamped, self-addressed envelope."
Often you must use that to get a publication at no charge. For example --
if you request a Better Business Bureau freebie (ltr., 3/11) SSAA is a must.

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Our readers ask some pointed questions -- here is a recent sampling:

How tough will equal-employment rules be under Carter's Administration?
They might weaken, despite rumbles about giving fresh power to EEOC --
the Equal Employment Opportunity Commission. EEOC has a large case backlog,
as do other agencies that both Congress and Carter talk of merging with it.
The hunch is that consolidation would cause at least a temporary slowdown.

Are consumers in for higher prices as a result of Government's actions?
You bet -- and the list is a long one: an increased tax on gasoline
because of the energy crisis, a hike for milk due to agricultural supports,
and more for TV's, stereos, shoes, sugar if the higher-tariff winds prevail.
(Might be a good idea to buy what you can before a new price wave crests.)

What's really behind all those Carters living in the Executive Mansion?
Practical economics were involved -- that and concern for their safety.
Housing costs here are sky-high, a boggler to the newcomers from Georgia.
Small apartments at \$500 a month are not uncommon, and purchasing a house
in a good area can run you way up there -- \$100,000, \$200,000 and even more.

Is the Pentagon still going all-out to track down military deserters?
Yes, and it is an expensive process. A recent report that we have seen
indicates that \$58 million was spent in fiscal 1975 and 1976 in the search
for 84,335 deserters, most of whom eventually got little-fuss discharges.
The Defense Dept. is being urged to save its money, discharge "in absentia"
in most cases, only go after those who committed crimes and then ran off.

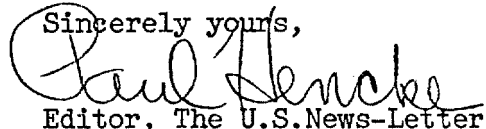
To energy now, a vital concern that's headed for world focus April 20th
when the President unveils his energy proposals to Congress and the nation.
Brace yourself for shocks to your pocketbook, both short and long range.
Carter has hinted at "sacrifices" -- these are a few we think he'll urge:

A higher federal tax on gasoline -- 5¢ more at least, on every gallon.
Maybe a tax on auto air-conditioners, more likely on weight, horsepower.
Utilities will be squeezed to burn coal, shift away from burning oil.
Changing to coal means more cost, mostly nonproductive, in a capital-shy era.
Strip-mining will be severely restricted -- a Carter campaign promise.
That means even more emphasis on deep-shaft mining, a more expensive process.
Gradual deregulation of natural gas, domestic oil -- boosting prices.
Many schools may juggle schedules to ease the blow (tourism firms -- note).
Special tax breaks for firms adopting coal -- penalties if they delay.
Freeze oil imports to help our balance of payments? Talked, but unlikely.
Drill more oil offshore? Carter may try to rush it, despite legal flak
from environmentalists. Same on coal exploration. He could ask less delay.
We doubt that Carter will call for a speedup in nuclear-power work --
that despite the fact that we're falling way behind in the fast-breeder race.

All of this headed for Congress' doorstep, a hot potato for lawmakers
who already hear the cries of motorists, oil men, and the U.S. automakers.

The choice for Congress? Take unpopular steps now, or face them later.

Sincerely yours,


Editor, The U.S. News-Letter

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